UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY (NEWARK)

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IN RE: MEHRAN MEHRNIA, Debtor	CHAPTER 7 CASE NO.: 14-11244-VP
CUSTOMERS BANK F/K/A NEW CENTURY BANK AS SUCCESSOR IN INTEREST TO USA BANK, Plaintiff/Creditor, v. MEHRAN MEHRNIA, Defendant/Debtor.	ADVERSARY NO. Assigned Judge: Vincent F. Papalia

COMPLAINT OBJECTING TO DISCHARGE AND DISCHARGEABILITY OF DEBT

Plaintiff/Creditor, Customers Bank f/k/a New Century Bank as successor in interest to USA Bank (herinafter “the Bank”), in the above entitled action, by way of Complaint against the Defendant/Debtor, Mehran Mehrnia (hereinafter “Debtor”), hereby states as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over the subject matter of this adversary proceeding pursuant to the provisions of 28 U.S.C. §1334 and 157. This adversary proceeding relates to the

Chapter 7 case of Mehran Mehrnia, Case No. 14-11244-VP. The matter is a core proceeding pursuant to 28 U.S.C. §157.

2. Venue herein is proper pursuant to the provisions of 28 U.S.C. §1409.

BACKGROUND

3. On August 9, 2007, for value received, Debtor executed and delivered to USA Bank, predecessor in interest to the Bank, a mortgage and promissory note in the amount of $3,400,000.00 (hereinafter “Note).

4. The monies were loaned by the Bank and to be used by Debtor to construct a luxury home in Purchase, New York.

5. In the loan application, Debtor overvalued businesses and real estate interests in which he had ownership interests, and made other material misrepresentations to the Bank.

6. The Bank relied on that information in making its determination to finance the loan and in continuing to advance credit.

7. Pursuant to the Note, between August 9, 2007 and January 23, 2009, the Bank advanced the principal sum of $3,392,073.10 to Debtor.

8. Commencing on October 1, 2007, and then on the first day of each month thereafter, the Note required that Debtor pay installments of accrued interest on the outstanding principal owed at the annual rate of 8.99%.

9. The Note also required that the entire unpaid principal and all outstanding accrued but unpaid interest was to be paid on or before March 1, 2009.

10. The Note further provided that if any payment was more than ten (10) days late, Debtor will be charged 5% of the unpaid portion of the payment due.

11. In the event of default, Debtor would be liable for all accrued interest, late charges, and expenses of collection including attorneys’ fees.

12. Debtor failed to pay the entire principal and all accrued interest, and defaulted under the terms of the Note on April 1, 2009.

13. Prior litigation was commenced in the New Jersey Superior Court, Bergen County Law Division, docket number L-7502-10.

14. The action was removed to the United States District Court for the District of New Jersey on August, 13, 2010 and docketed under Civil Action No. 10-cv-04159.

15. On July 22, 2011, the Bank filed a Motion for Summary Judgment, which was granted on February 10, 2012, and judgment was entered against Debtor for the sum of $4,234,324.40.

16. The judgment was recorded in the Superior Court of New Jersey, Bergen County Law Division, on July 26, 2013 under docket number DJ-143771-13.

17. Debtor filed the within bankruptcy petition on January 24, 2014. The Debtor's non-debtor spouse, with whom he resides, is Leila Mehrnia.

18. Debtor has owned and operated several tile and stone businesses.

19. Debtor fraudulently "closed" the tile and stone companies which he was part of, and new entities were formed for his wife, Leila Mehrnia, with the intent to hinder and defraud his creditors, enabling the Debtor to remain in a position to profit from the businesses as the husband of Leila Mehrnia.

20. The actions taken by Debtor were taken with the actual intent to hinder and defraud creditors and to circumvent the Bank's ability to satisfy the $4,234,324.40 judgment.

21. In 2004, Debtor formed National Tile and Stone, Inc. with Valdo Panzera (hereinafter "Panzera"), each with a fifty percent ownership interest in the company.

22. National Tile and Stone, Inc. was primarily a retailer of tile and stone, and located at 175 Moonachie Road, Moonachie, New Jersey.

23. The Moonachie Road address consisted of, and still consists of, a showroom and warehouse which is owned by M&V, LLC. The general partners of M&V, LLC in 2004 were Debtor and Panzera.

24. National Tile and Stone, Inc. ceased to operate in or about 2010, and immediately thereafter, National Tile & Mosaic, LLC was formed by Debtor, and his wife, Leila Mehrnia.

25. Debtor owned 20% of National Tile & Mosaic, LLC, and the other 80% of the business was owned by Leila Mehrnia.

26. National Tile & Mosaic, LLC continued to operate from the 175 Moonachie Road location, paid rent to M&V, LLC, and was a retail seller of stone and tile, just as its predecessor National Tile and Stone, Inc.

27. As of 2011, Leila Mehrnia acquired an 80% ownership interest of M&V, LLC.

28. In or about 2012, National Tile & Mosaic, LLC ceased to operate, and Leila Mehrnia formed National T&M, LLC d/b/a National Tile & Mosaic.

29. Debtor never received any consideration for his interest in National Tile & Mosaic, LLC.

30. Leilia Mehrnia is the sole owner of National T&M, LLC.

31. National T&M, LLC operates at the same Moonachie Road address as its predecessors, is a retail seller of stone and tile, and pays rent to M&V, LLC.

32. In or about 2010, Debtor formed Otto Mosaic & Beyond, Inc. with Tohan Hazinedar (hereinafter “Hazinedar”) as equal partners.

33. Otto Mosaic & Beyond, Inc. was a wholesale company of tile and stone, and was also located at 175 Moonachie Road, Moonachie, New Jersey.

34. Otto Mosaic & Beyond, Inc. was closed, and its successor company Otto Mosaic Highline, LLC was thereafter formed in or about 2011.

35. Otto Mosaic Highline, LLC is still in existence and owned equally between Hazinedar and Leila Mehrnia.

36. Otto Mosaic Highline, LLC is also a wholesaler of tile and stone, just as its predecessor Otto Mosaic & Beyond, Inc., and is also located at 175 Moonachie Road address.

37. Although Debtor is not allegedly involved in Otto Mosaic Highline, LLC, financial records have revealed that he has invested in this company.

38. When questioned about the financial documents regarding Debtor's investment in Otto Mosaic Highline, LLC, Leila Mehrnia, had no knowledge of these transactions.

39. No consideration was paid to the Debtor for the transfer of his interest in this entity.

40. Debtor has failed to include any proprietary/financial interest in Otto Mosaic Highline, LLC in his bankruptcy petition.

41. The Debtor previously maintained a 100% interest in Stone Images, Inc., which was, upon information, transferred to the Debtor's wife.

42. Further, Leila Mehrnia testified to having little or no knowledge regarding the finances of National Tile & Mosaic, LLC, National T&M, LLC and Otto Mosaic Highline, LLC, entities which she has/had an 80%, 100% and 50% ownership interests in, respectively.

43. Commencing in or about 2009, after default on the obligation to the Bank, the Debtor began to maneuver to close companies in which he had an ownership interest, and new companies were formed to transfer his financial stake in the businesses to his wife.

44. In addition to the transfer of his business interests, the Debtor transferred personal assets, including luxury automobiles, and cash and other assets, to his wife, Leila Mehrnia, his father, Ghassen Mehrnia, and numerous other individuals and entities.

45. The transfer of the Debtor's assets were made by the Debtor with the actual intent to hinder, defraud the Debtor's creditors.

FIRST COUNT

Nondischargeability against the Debtor Mehran Mehrnia – Pursuant to 11 U.S.C. §523(a)(2)(A), (B)

46. The Bank adopts, incorporates by reference, and alleges herein all of the allegations set forth in paragraphs 1-45, inclusive, as if set forth individually in this First Count for Relief.

46. Pursuant to 11 U.S.C. §523(a)(2)(A), (B) of the United States Bankruptcy Code, the debt incurred by debtor to the Bank was obtained by the use of false pretenses, false representation and/or actual fraud, and/or by the use of a statement in writing that was materially false; respecting the debtor's financial condition; on which the creditor to whom the debtor is liable for such money reasonably relied; and that the debtor caused to be made or published with intent to deceive.

47. Debtor incurred the loan obligation by submitting materially false statements in his loan application and statements that misrepresented Debtor's financial condition, upon which Bank's predecessor in interest reasonably relied. Debtor caused the materially false statement and misrepresentation to be made and published with the intent to deceive.

48. As a direct and proximate result of the foregoing, the Bank has suffered damages in an amount not presently ascertained but believed to be in excess of $4,234,323.89, which should be exempted from discharge in the Debtor's bankruptcy.

WHEREFORE, Plaintiff demands judgment in its favor against the Debtor determining that the obligation of the Debtor is nondischargeable pursuant to 11 U.S.C. §523, and for attorneys fees and costs, and such other relief as this Court deems equitable and just.

SECOND COUNT

Nondischargeability against the Debtor Mehran Mehrnia – Pursuant to 11 U.S.C. §523(a)(6)

49. The Bank adopts, incorporates by reference, and alleges herein all of the allegations set forth in paragraphs 1-48, inclusive, as if set forth individually in this Second Count for Relief.

50. Pursuant to 11 U.S.C. §523(a)(6) of the United States Bankruptcy Code, a debt incurred by a debtor who engages in willful and malicious conduct which results in damages shall be non-dischargeable.

51. Debtor's submission of materially false statements in his loan application that misrepresented Debtor's financial condition was a willful and malicious act.

52. In addition, the Debtor divested himself of assets while continuing to benefit from such business and personal assets.

53. As a direct and proximate result of the foregoing, the Bank has suffered damages in an amount in excess of $4,234,323.89, which should be exempted from discharge in the Debtor's bankruptcy. Based on the foregoing acts, the Bank requests that the debt owed to the Bank by the Debtor be deemed non-dischargeable in bankruptcy.

53. In committing the acts hereinabove described, the Debtor acted willfully, maliciously, and with deliberate intent to deceive the Bank.

WHEREFORE, Plaintiff demands judgment in its favor against the Debtor determining that the obligation of the Debtor is nondischargeable pursuant to 11 U.S.C. §523, and for attorneys fees and costs, and such other relief as this Court deems equitable and just.

THIRD COUNT

Nondischargeability against the Debtor Mehran Mehrnia – Pursuant to 11 U.S.C. §523(a)(4)

54. The Bank adopts, incorporates by reference, and alleges herein all of the allegations set forth in paragraphs 1-53, inclusive, as if set forth individually in this Third Count.

55. The Debtor acted as a fiduciary and principal and officer of Stone Images, Inc., National Tile and Stone, Inc., National Tile and Mosaic, LLC, Otto Mosaic & Beyond, Inc., Otto Mosaic Highline, LLC, M& V, LLC, and in such capacity, engaged in fraud and/or defalcation, embezzlement, and/or larceny while acting in such capacity.

WHEREFORE, Plaintiff demands judgment in its favor against the Debtor determining that the obligation of the Debtor is nondischargeable pursuant to 11 U.S.C. §523, and for attorneys fees and costs, and such other relief as this Court deems equitable and just.

FOURTH COUNT

Objection to Discharge of the Debtor Mehran Mehrnia – Pursuant to 11 U.S.C. §727(a)(2).

56. The Bank adopts, incorporates by reference, and alleges herein all of the allegations set forth in paragraphs 1-55, inclusive, as if set forth individually in this Fourth Count.

57. Pursuant to §727(a)(2) of the United States Bankruptcy Code, the court shall grant the debtor a discharge, unless the debtor, with intent to hinder, delay or defraud a creditor under this title, has transferred, removed, destroyed, mutilated, or concealed or has permitted to be transferred, removed, destroyed, mutilated, or concealed property of the debtor, within a year of the filing or after the filing.

58. Debtor has hindered Creditor's ability to collect on the $4,234,323.89 judgment in using corporate maneuvering to transfer his assets, including cash, income, luxury vehicles, and

interests in the tile and stone businesses to his wife, Leila Mehrnia, to his father, and by diverting cash, income and other assets.

59. In committing the acts hereinabove described, the Debtor acted willfully, maliciously, and with deliberate intent to deceive his creditors.

WHEREFORE, Plaintiff demands judgment in its favor against the Debtor denying the Debtor's Discharge pursuant to 11 U.S.C. §727, and for attorneys fees and costs, and such other relief as this Court deems equitable and just.

FIFTH COUNT

Objection to the Discharge of the Debtor Mehran Mehrnia – Pursuant to 11 U.S.C. §727(a)(3)

60. Creditor adopts, incorporates by reference, and alleges herein all of the allegations set forth in paragraphs 1-59, inclusive, as if set forth individually in this Fifth Count.

61. Pursuant to §727(a)(3) of the United States Bankruptcy Code, the court shall grant the debtor a discharge unless the debtor has concealed, destroyed, mutilated, falsified, or failed to keep or preserve any recorded information, including books, documents, records, and papers, from which the debtor's financial condition or business transactions might be ascertained, unless such act or failure to act was justified under all of the circumstances of the case.

62. The Debtor has failed to keep and produce adequate financial records and has further failed to disclose income and assets.

63. Debtor failed to include his ownership/financial interest in Otto Mosaic Highline, LLC in his bankruptcy petition and schedules.

64. In committing the acts hereinabove described, the Debtor acted willfully, maliciously, and with deliberate intent to deceive his creditors.

WHEREFORE, Plaintiff demands judgment in its favor against the Debtor denying the Debtor's Discharge pursuant to 11 U.S.C. §727, and for attorneys fees and costs, and such other relief as this Court deems equitable and just.

SIXTH COUNT

Objection to Discharge of the Debtor Mehran Mehrnia – Pursuant to 11 U.S.C. §727(a)(4)

65. The Bank adopts, incorporates by reference, and alleges herein all of the allegations set forth in paragraphs 1-65, inclusive, as if set forth individually in this Sixth Count.

66. Pursuant to §727(a)(4) of the United States Bankruptcy Code, the court shall grant the debtor a discharge unless the debtor has made a false oath or account.

67. Further, Debtor failed to include his proprietary and/or financial interest in Otto Mosaic Highline, LLC in his bankruptcy petition, and failed to disclose numerous and significant pre-petition transfers of income, assets, and property.

WHEREFORE, Plaintiff demands judgment in its favor against the Debtor denying the Debtor's Discharge pursuant to 11 U.S.C. §727, and for attorneys fees and costs, and such other relief as this Court deems equitable and just.

SEVENTH COUNT

Objection to Discharge of the Debtor Mehran Mehrnia – Pursuant to 11 U.S.C. §727(a)(5)

68. The Bank adopts, incorporates by reference, and alleges herein all of the allegations set forth in paragraphs 1-67, inclusive, as if set forth individually in this Seventh Count.

69. Pursuant to 11 U.S.C. §727(a)(5) of the United States Bankruptcy Code, the Debtor has failed to keep and produce adequate financial records and has further failed to disclose income and assets, and to explain the loss of assets.

WHEREFORE, Plaintiff demands judgment in its favor against the Debtor denying the Debtor's Discharge pursuant to 11 U.S.C. §727, and for attorneys fees and costs, and such other relief as this Court deems equitable and just.

SALDUTTI LAW GROUP, LLC
Counsel for Plaintiff, Customers Bank

/S/ ROBERT L. SALDUTTI
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Dated: May 4, 2015

ROBERT L. SALDUTTI, ESQUIRE
ANNE CANTWELL, ESQUIRE